

FISCAL MEMORANDUM

HB 2215 – SB 2164

May 10, 2007

SUMMARY OF AMENDMENT (007671): Deletes the language of the original bill. Increases the excise tax on cigarettes from 20 cents to 41 cents per pack. Increases the tax on all other tobacco products from 6.6% to 15.0% of the wholesale cost price. Requires the distribution of the incremental tobacco tax revenue to be as follows: 9.0% to the Department of Agriculture to be used for grants to tobacco farmers, 12.0% to the General Fund to be used for community enhancements, 75.5% to the Education Fund to be used for increasing the state share of the instructional positions component of the BEP formula to at least 75%, and 3.5% to the Department of Health to be used for home and community-based care programs for the elderly. Requires every non-participating manufacturer to pay additional equity assessments equal to 50 cents per pack. Revenue generated from such equity assessments are to be earmarked for the purpose of funding statewide health programs.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenues –

- \$11,789,000 / Dept. of Agriculture (for tobacco farmer grants)
- \$18,844,000 / General Fund
- \$98,884,000 / Education Fund (for at-risk & ELL programs)
- \$7,011,000 / Education Fund (K-12)
- \$4,584,000 / Earmarked to Dept. of Health (for elderly care)
- \$22,913,000 / Earmarked for statewide health programs
- \$40,000 / Department of Revenue
- \$99,000 / Sinking Fund
- \$95,000 / Dept. of Labor Workforce & Development
- \$164,259,000 – Total Increase**

Decrease State Revenues - \$270,000 / Dept. of Agriculture

Increase State Expenditures - \$1,777,000 One-Time
\$6,522,300 Recurring

Increase Local Govt. Revenues – Net Impact - \$4,007,000

Increase Local Govt. Expenditures – \$43,000 One-Time
\$38,000 Recurring

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenues –

\$11,855,000 / Dept. of Agriculture (for tobacco farmer grants)
\$19,100,000 / General Fund
\$106,841,000 / Education Fund
\$4,610,000 / Dept. of Health (for elderly care)
\$22,913,000 / Earmarked for statewide health programs
\$42,000 / Department of Revenue
\$104,000 / Sinking Fund
\$165,465,000 – Total Increase of State Revenues

Increase State Expenditures - \$286,300 Recurring
\$227,000 One-Time

Increase Local Govt. Revenues - \$3,480,000

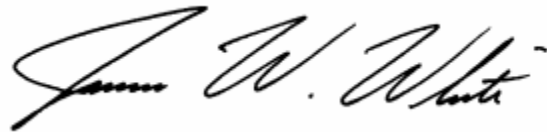
Assumptions applied to amendment:

- The incremental tobacco tax revenue generated from cigarettes was estimated to be \$119,318,000 per year in the original fiscal note.
- Tobacco tax revenue for all other tobacco products is estimated to be approximately \$9,750,000 for FY07-08 absent this legislation.
- Tobacco tax revenue for all other tobacco products is estimated to be approximately \$22,159,000 for FY07-08 with the proposed tax increase ($[\$9,750,000 \div \text{current } 6.6\% \text{ rate}] \times \text{proposed } 15.0\% \text{ rate} = \$22,159,091$).
- The incremental tobacco tax revenue for all other tobacco products for FY07-08 is estimated to be \$12,409,000 ($\$22,159,000 - \$9,750,000 = \$12,409,000$).
- The total increase to tobacco tax revenue is estimated to be \$131,727,000 ($\$119,318,000 + \$12,409,000 = \$131,727,000$).
- The \$131,727,000 in incremental tobacco tax collections would be apportioned as follows: \$11,855,000 to the Department of Agriculture, \$15,807,000 to the General Fund, \$99,455,000 to the Education Fund, and \$4,610,000 to the Department of Health.
- The incremental state tax revenue resulting from the proposed equity assessments was estimated to be \$22,913,000 per year in the original fiscal note. 100% will be earmarked for the purpose of funding statewide health programs.
- State and local sales tax collections are estimated to increase by approximately \$10,825,000 and \$3,480,000 respectively.

- The \$10,825,000 in incremental state sales tax collections would be apportioned as follows: \$3,293,000 to the General Fund, \$7,386,000 to the Education Fund, \$42,000 to the Department of Revenue (DOR), and \$104,000 to the Sinking Fund.
- Four positions in DOR (three Regulatory Officers, one Taxpayer Services Representative) to implement provisions of this bill.
- The recurring increase to DOR expenditures for the four new positions is estimated to be \$202,000 per year.
- One-time expenditures for DOR will increase by approximately \$227,000 for costs related to hiring four new positions and for software and computer enhancements.
- Two positions in the Department of Agriculture (DOA) (one Agricultural Marketing Specialist 2, one Administrative Secretary).
- The recurring increase to DOA expenditures for the two new positions is estimated to be \$84,300 per year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rnc